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Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values....Current Studies.... Surveys....Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

VOLUME XV

UNION WAGES IN THE BUILDING TRADES

THE Bureau of Labor Statistics of the United States Department of Labor accumulates material on union wages in the building trades in 75 cities of the United States. On July 1, 1945, journeymen averaged \$1.615, an advance of 1.8 per cent since July 1, 1944. Helpers and laborers averaged \$0.997, a 4.7 per cent increase. The charts on pages 72 and 73 show the relative changes in the wage rates for nine different classifications of building workers. On these charts the red line shows the experience which preceded and accompanied the First World War. The blue line shows the corresponding period for the Second World War.

These charts do not show, however, the actual increase in the labor cost of building. As indicated in the Executive Digest for this month, the labor items which enter into the cost of our standard six-room house have advanced by 102 per cent since the beginning of the war in Europe in 1939.

The differences between this experience and the actual fluctuation in wage rates are due to: 1. Labor is less efficient and it takes more hours of labor to do the same amount of work than it did in 1939. This is due in turn to the fact that in 1939 only the most efficient building workers were employed while today many newcomers in the field have diluted the efficiency of the skilled workers and the general attitude of labor is not very cooperative.

2. In many cities separate wage rates were in force on commercial or industrial building and on small residential building. Today, with the shortage of workers, it is necessary to pay the commercial scale (which is considerably higher) on small jobs.

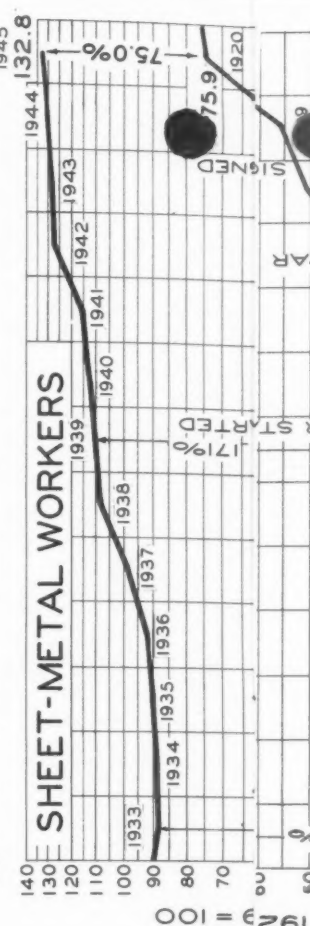
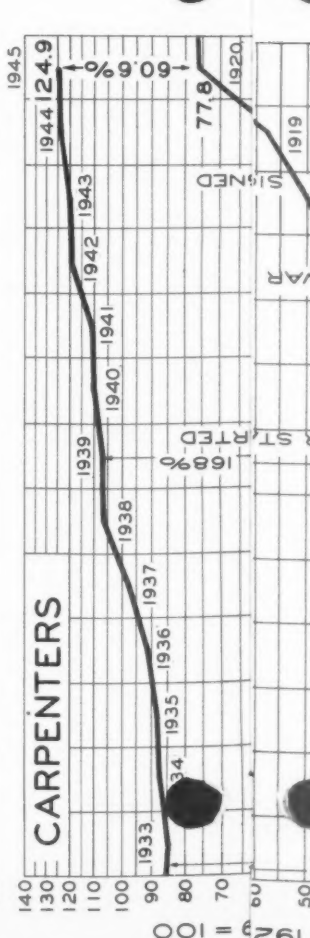
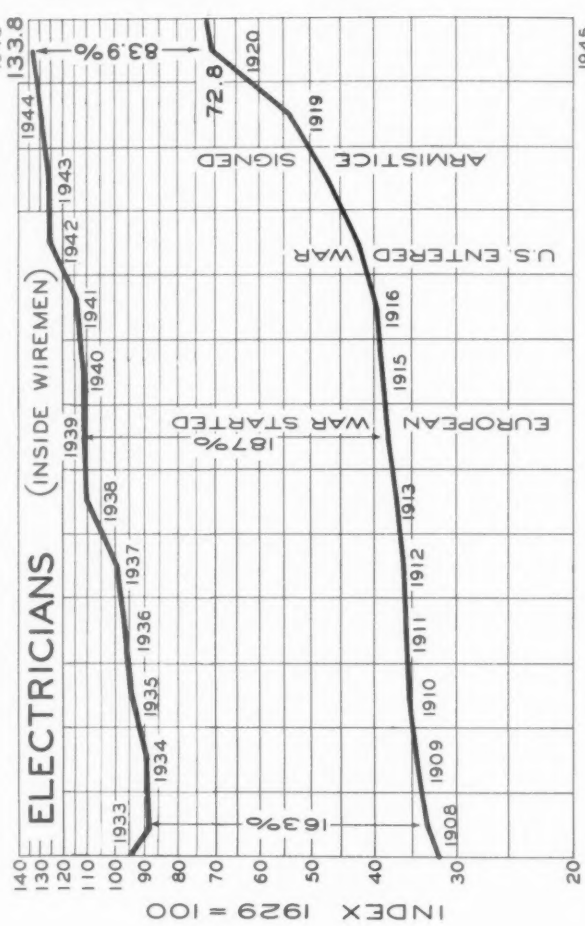
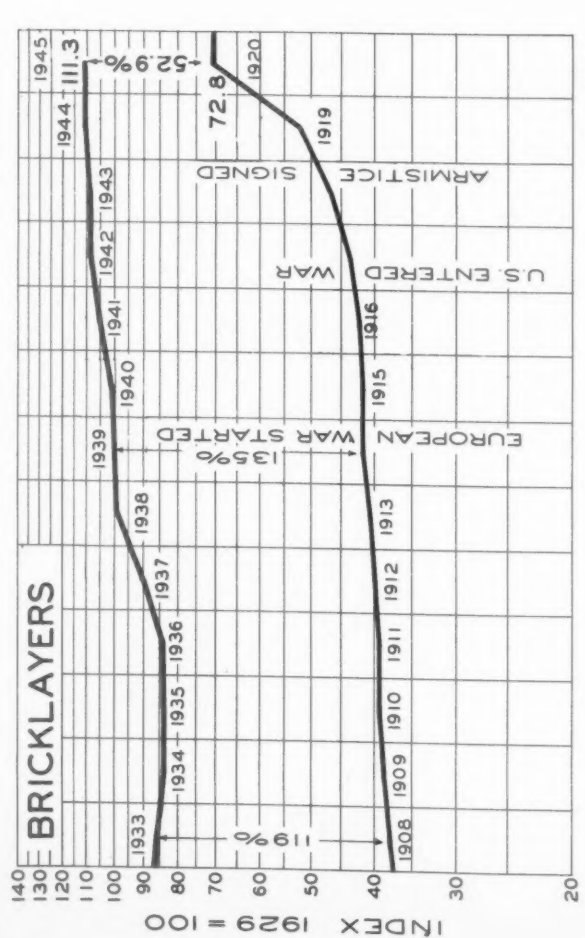
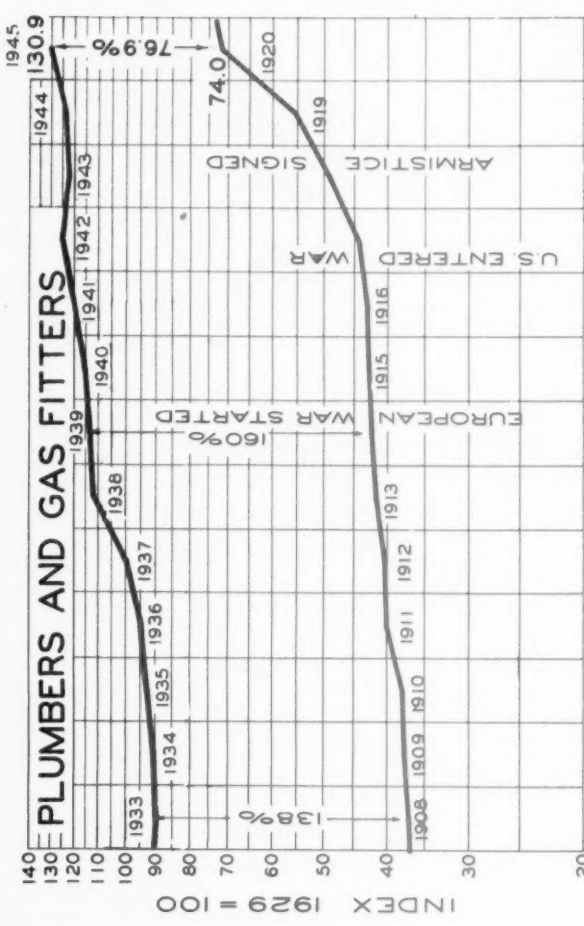
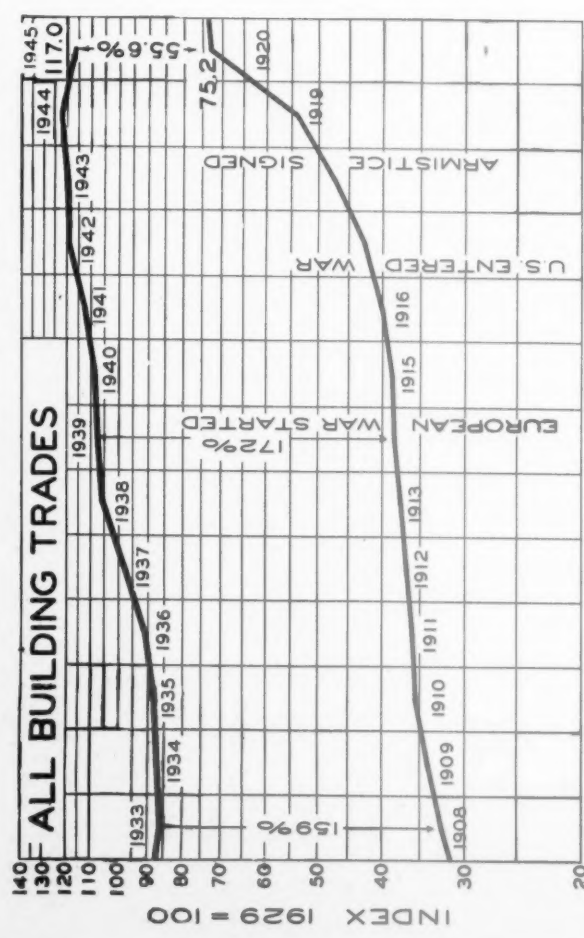
3. Building contractors are complaining that in order to get a skilled building worker they quite frequently must agree to use him on Saturdays at overtime rates.

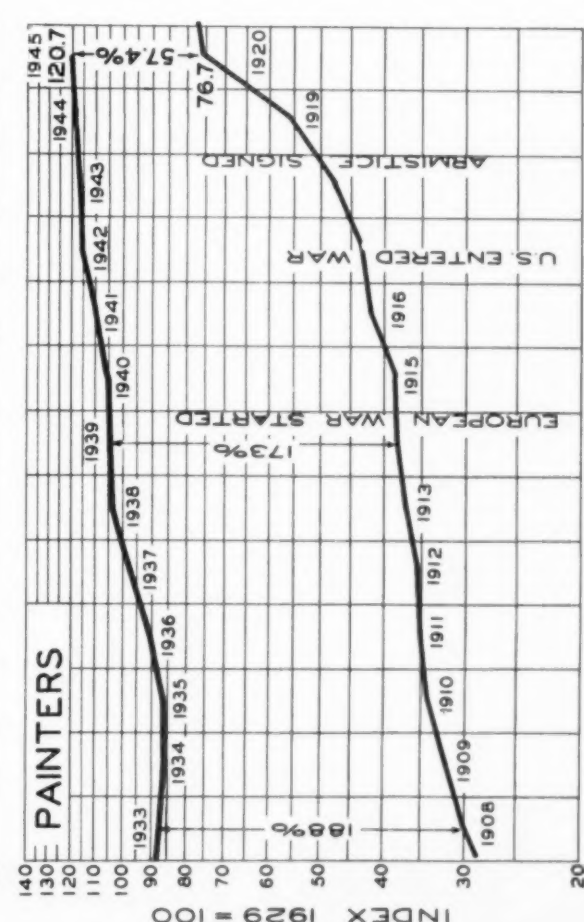
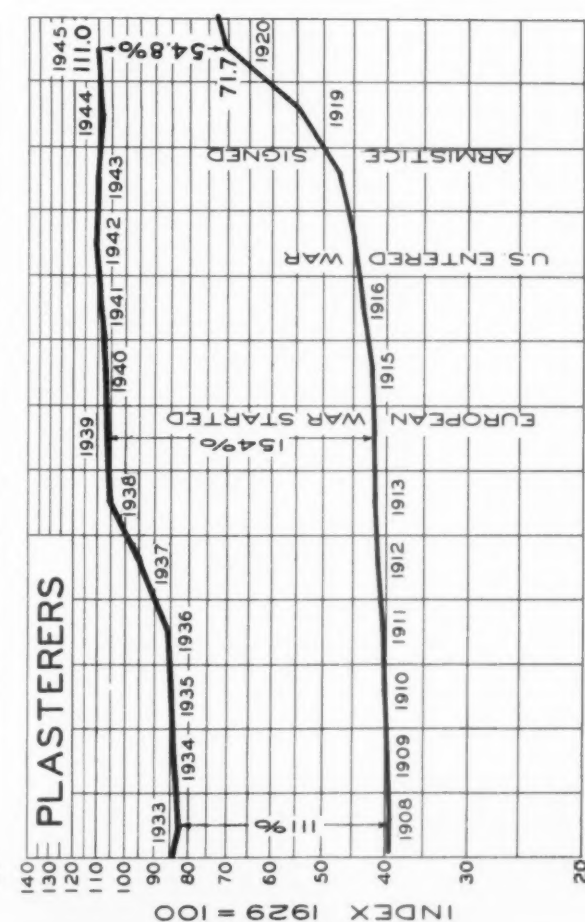
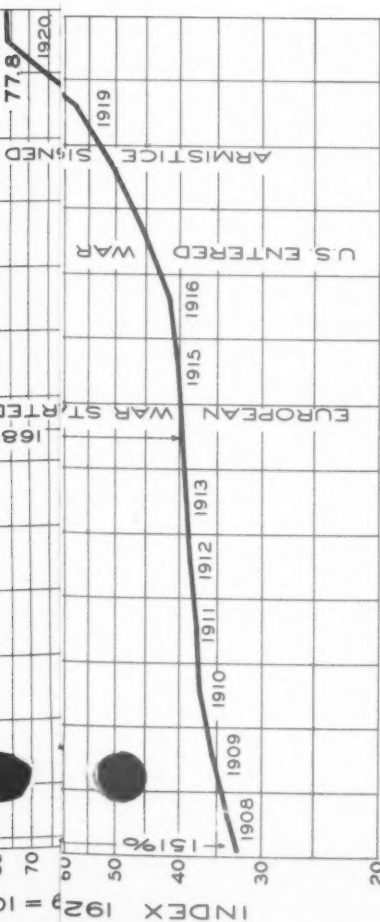
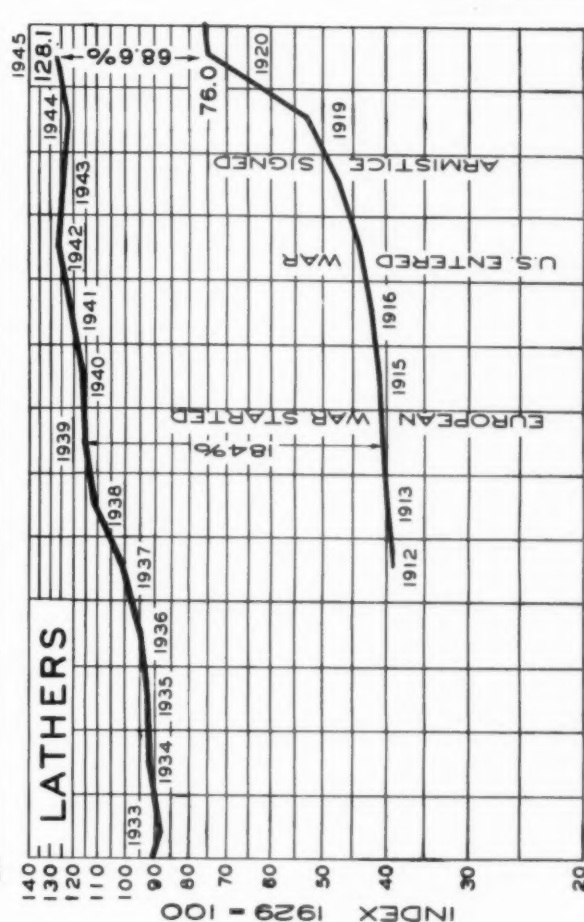
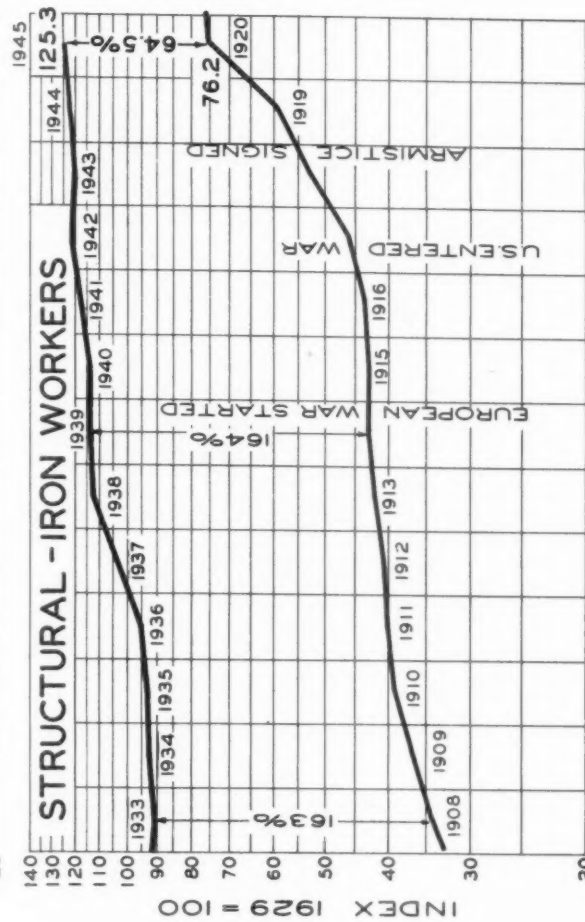
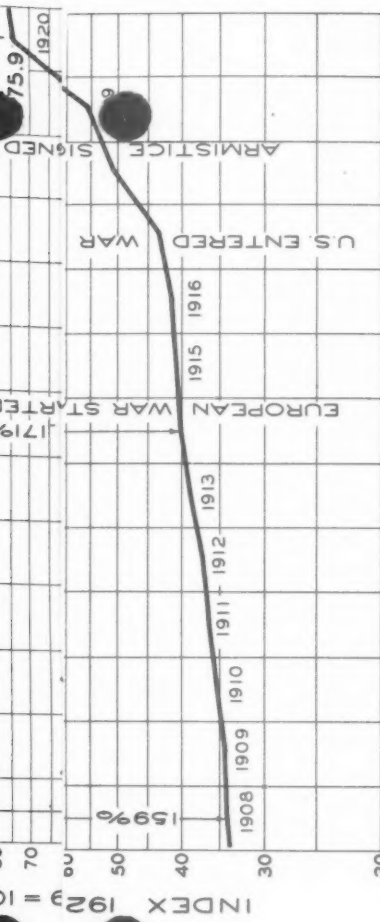
4. In a scarcity market of the type we are now in, premiums of various sorts are quite frequently paid above the accepted rate.

5. In the prewar period and particularly during the thirties, a great deal of residential building was done on a non-union basis at rates much below the union scale.

The next survey which is made by the Bureau will be as of July 1, 1946. Premium rates (not used in computing the averages on these charts) will be even more common in the next period than they have been in the last. In many cases, however, these premium rates will be concealed.

WAGE RATES OF THE BUILDING TRADES





FARM REAL ESTATE ACTIVITY

DURING the farm year from March 1944 to March 1945 farm land values continued to rise although a small decline took place in the volume of sales. For more than six consecutive years the number of voluntary sales of farms increased constantly, but during the year ending March 1945 voluntary sales decreased approximately 8 per cent from the preceding year's peak. The 1944 level was about 15 per cent above the boom year of 1919. In spite of the decrease over the preceding year voluntary sales were still higher than they had been in any other year for which records are available.

The Bureau of Agricultural Economics points out that contributing to the high volume of farm sales during the past year was a general increase in the volume of reselling of farm land after a limited period of ownership. During the first quarter of 1945 and the last half of 1944 more than one-eighth of all sales were resales of farms acquired within two years. The proportion of all farms sold that had been held less than two years ranged from 20 per cent in the twelve surveyed counties in the Western region to about 6 and 7 per cent in the South Central and Northern Great Plains region, with no other region reporting a ratio of less than 11 per cent. For the year 1944 it is pointed out that approximately two-thirds of the resales had been held less than a year and almost two-fifths for less than six months. For most regions the price increase for resales within two years ranged from 20 to 30 per cent, although in the Western region gross profit from such sales averaged about 40 per cent.

For the country as a whole active farmers were buyers in 63 per cent of all sales during the year ending March 1945.

The chart on the opposite page shows voluntary and forced sales of farms in the United States from 1926 through 1945. The blue bars on this chart show voluntary sales. It will be noticed that in the year ending March 1944, 55.9 farms changed hands during the year for each thousand of all farms, but in the year ending March 1945, 51.5 farms changed hands, a drop of 4.4 farms during the year. Tax sales are the lowest they have been over the entire period covered by the chart and this is also true of foreclosures, which ran only 1.9 farms per thousand during the last year covered by the material.

The charts on pages 76 through 79 of this report show farm activity by States. The greatest activity in any State of the Union was in North Dakota, where 68.3 farms changed hands for every thousand farms in the State on a voluntary basis during the year ending March 1945. In the preceding year, however, 73.5 farms changed hands per thousand. Other States in which activity was high during the year were Kentucky with a rate of 68.0 farms, Arkansas with 67.3, Missouri with 63.7, Oregon with 63.6, and Tennessee with 62.6. In every one of these States the rate in the year ending March 1945 was considerably below the rate in 1944.

While it seems possible that farms may increase further in price in dollars, the falling off in farm activity would indicate that the farm boom is past its crest. If this be true, the experience following the First World War would be repeated. Farms reached their peak then in 1920, a year and a half after the end of the war in Europe. On the other hand, city properties did not reach their peak until from five to eight years later.

From 1920 until the early thirties farm values and farm activity constantly decreased, but the farm situation after this war is in considerably better shape than it was in the period that followed the First World War. A far larger number of farms are owned free and clear and farm mortgage indebtedness on most of the rest has been paid down to a rather conservative basis. This will not prevent a drop in farm prices after the crest is over but it should make the drop less catastrophic to the farmer, and farm foreclosures in the period five to ten years hence should not be as heavy as they were during the thirties.

A CONTINUATION OF RENT CONTROL

THE present powers of the OPA cease on June 30 unless they are renewed by Congress. They will be renewed but the OPA will not be given the same authority it previously possessed to ride roughshod over American business. At the present time it is showing a rather repentant attitude due to the fact that Congressmen have informed its officials that unless its powers are used with more discretion, many of these powers will be taken from it. How long this attitude will last after Congress votes an extension is problematical.

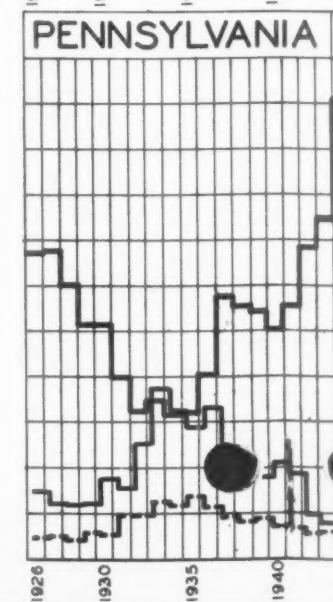
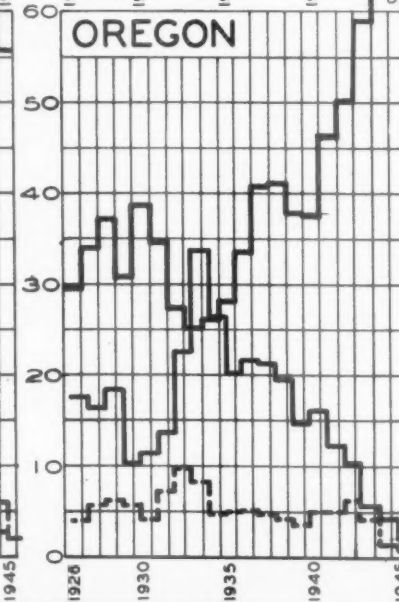
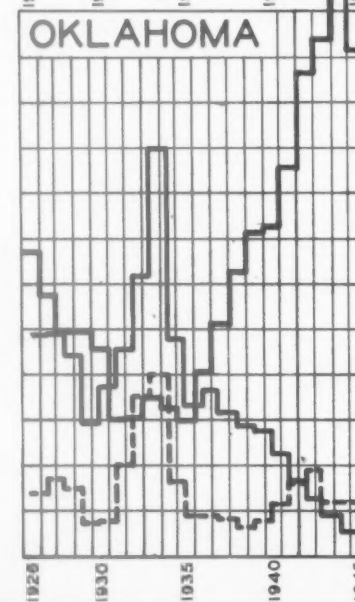
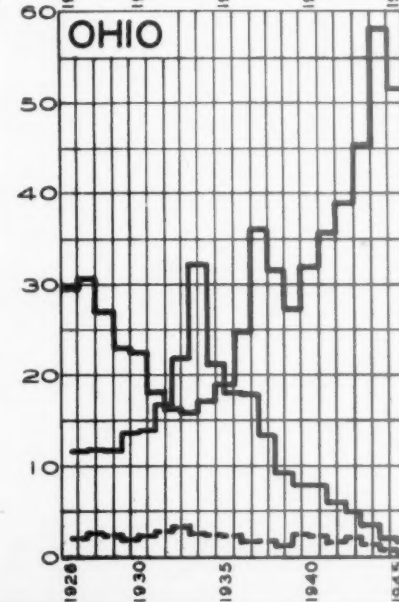
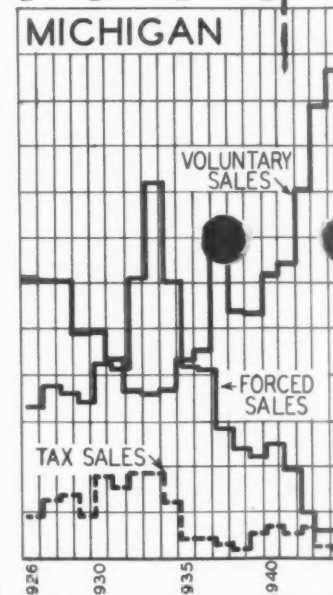
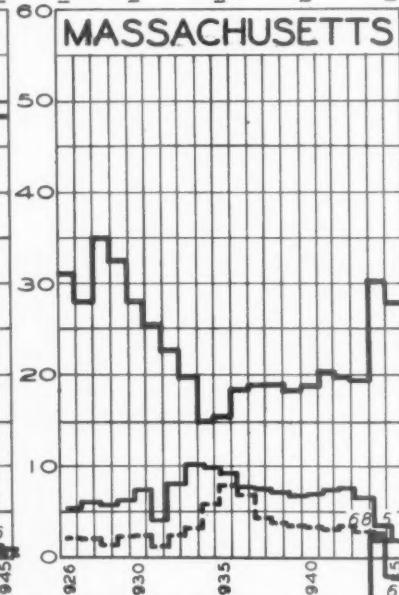
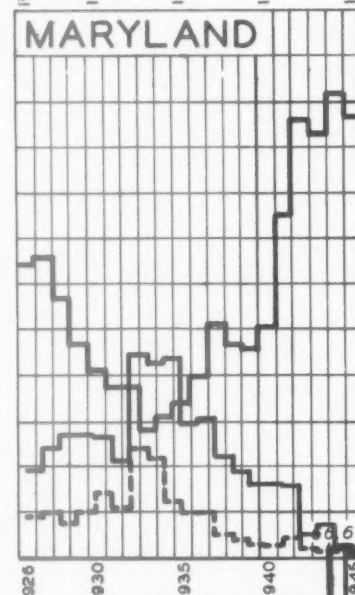
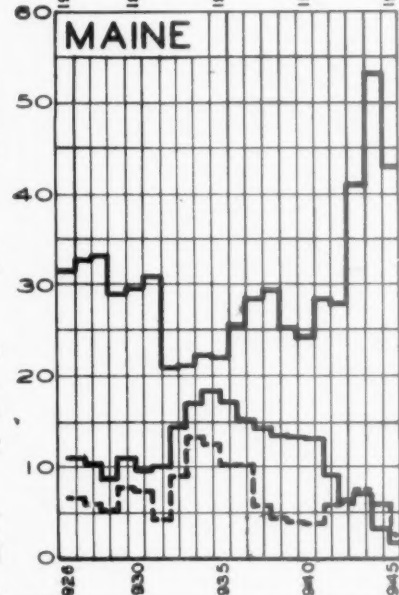
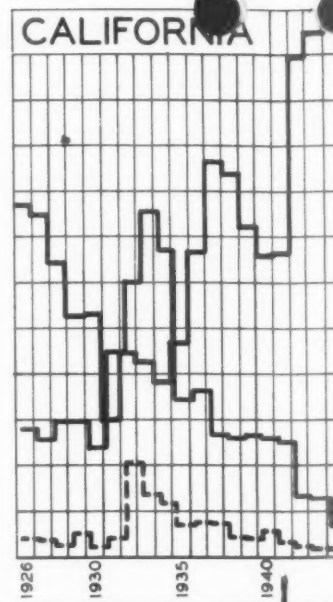
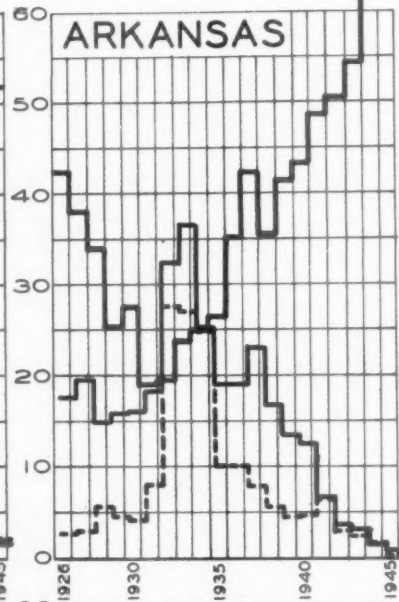
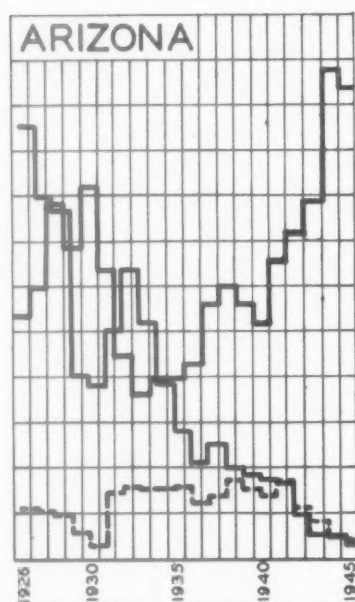
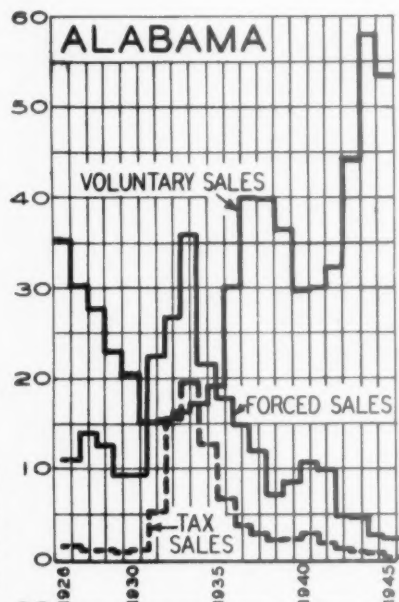
The chart and table on pages 80 to 82 in this report bring up to date the relative figures on wages, rents and other elements of the cost of living. This table and chart show beyond any possibility of contradiction that the landlord is not the villain whom the OPA describes but is the victim of our so-called planned economy.

First, a word of explanation about the chart and the sources of the figures which are used. Since 1913 the Bureau of Labor Statistics of the United States Department of Labor has prepared what was formerly called a cost of living index. This index has been published regularly during these years in official government publications. The index as it appears in these publica-

(cont. on page 83)



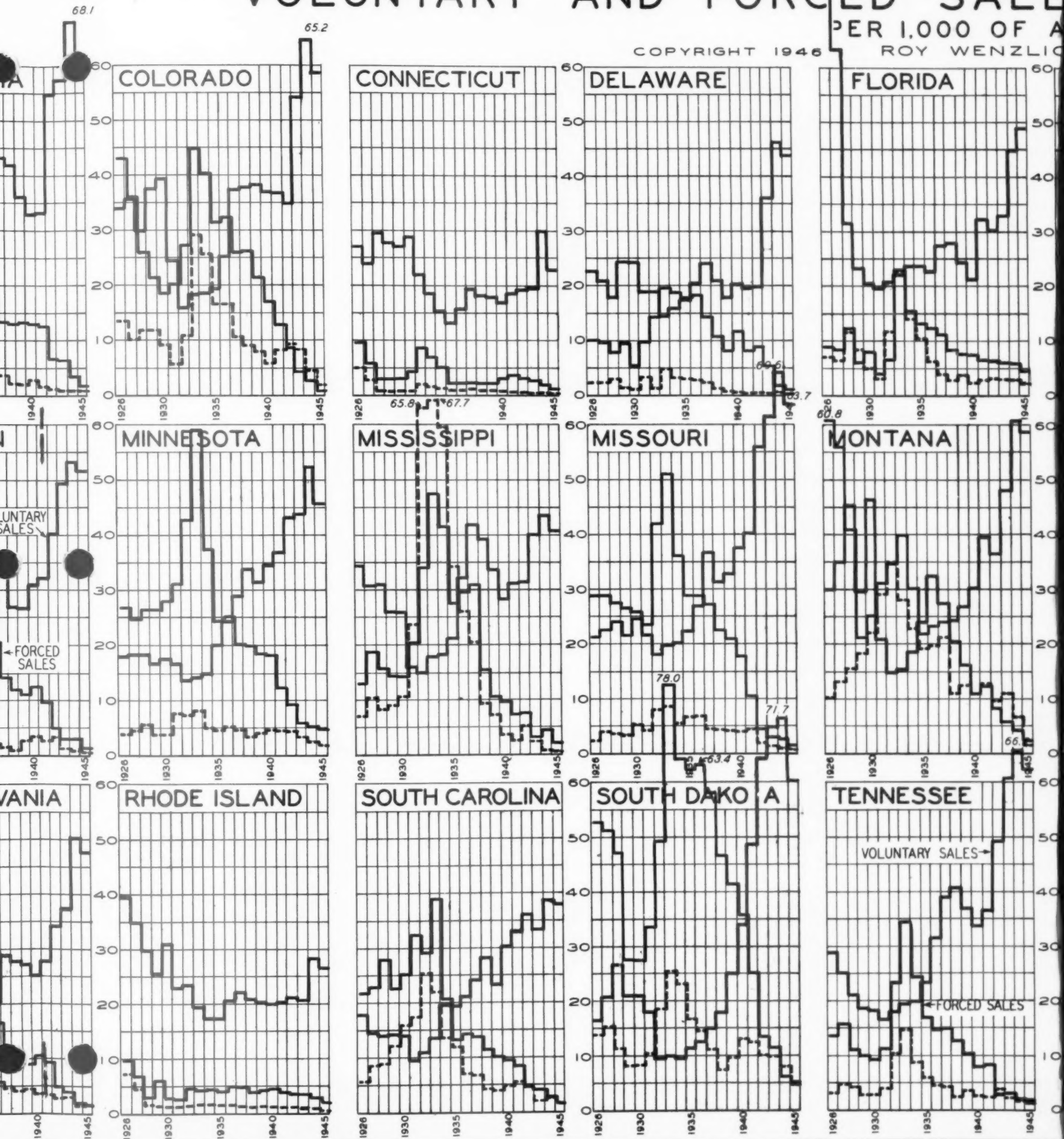
PER 1,000 OF ALL FARMS



67.3

VOLUNTARY AND FORCED SALE PER 1,000 OF A

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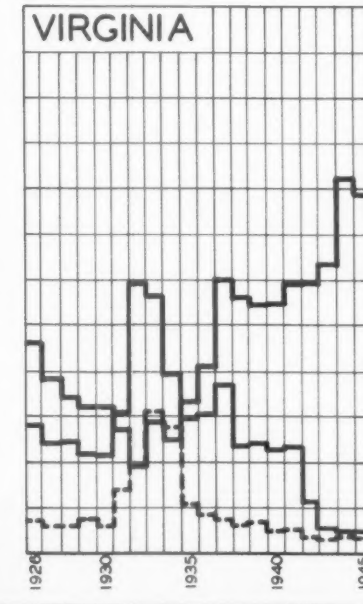
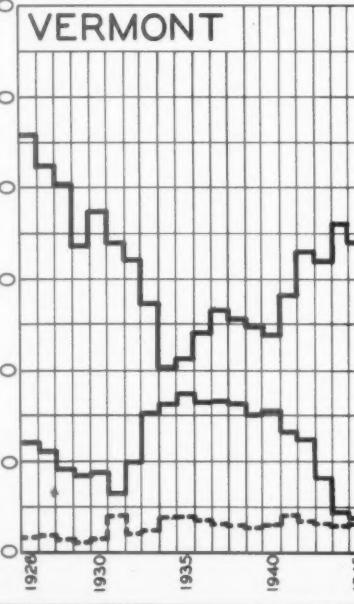
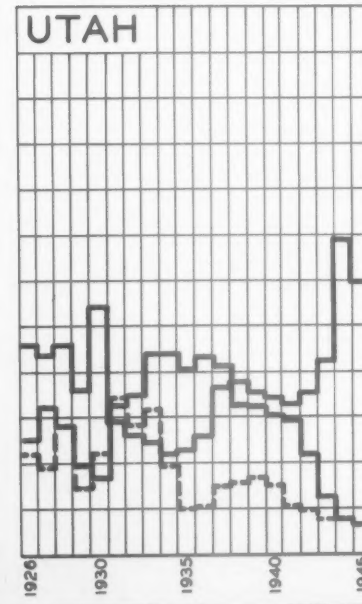
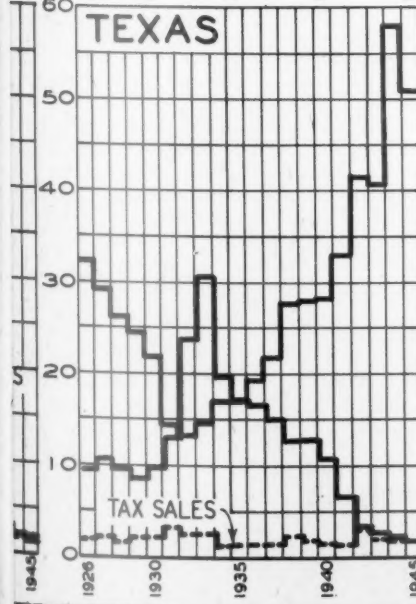
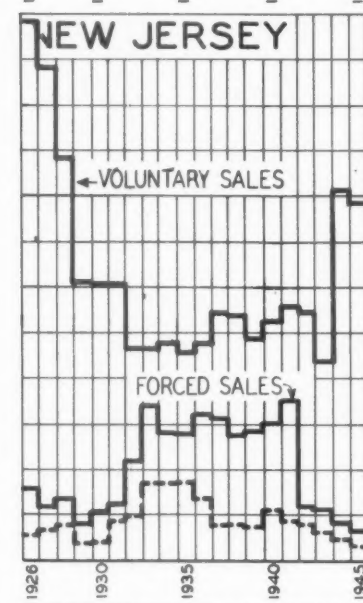
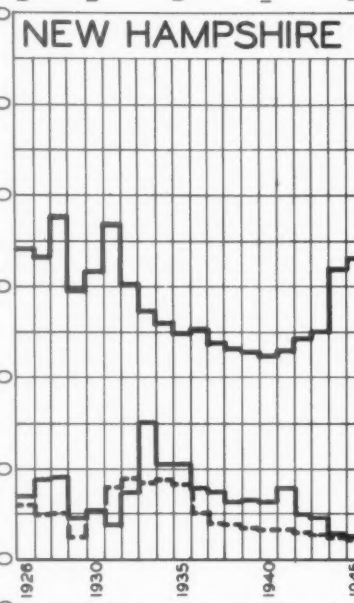
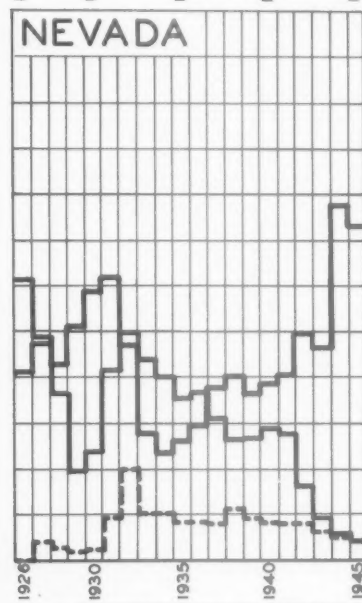
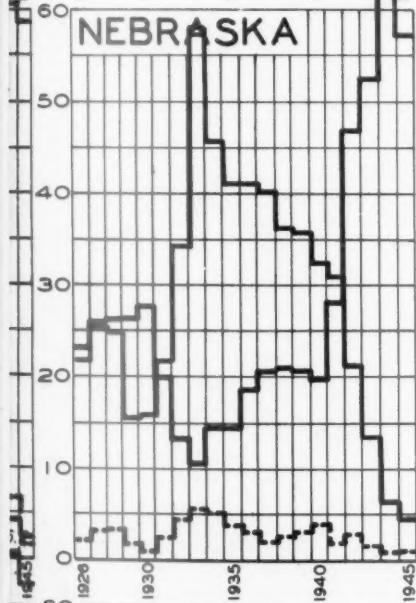
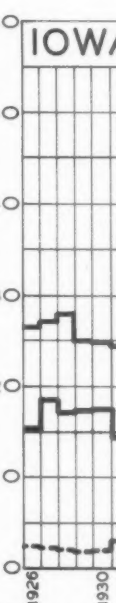
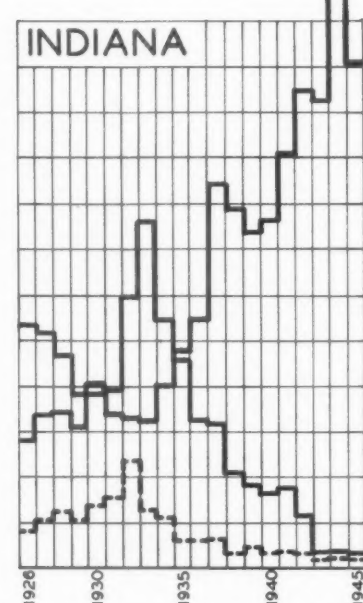
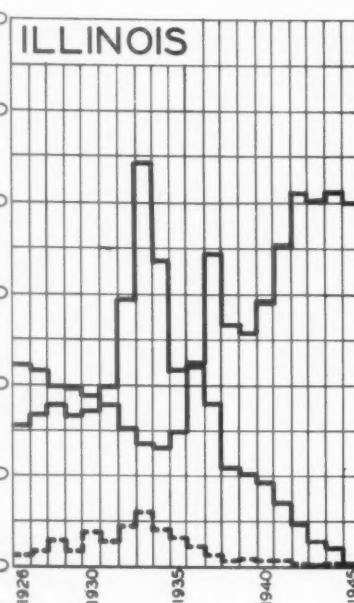
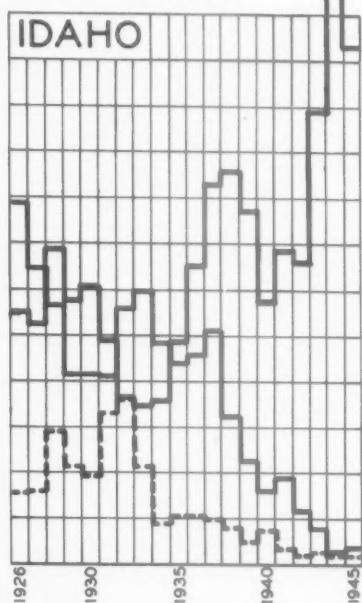
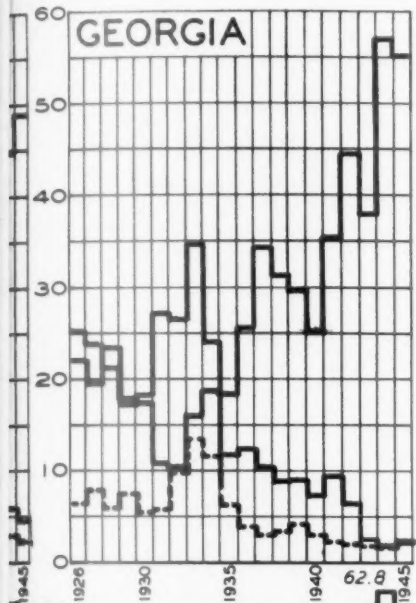


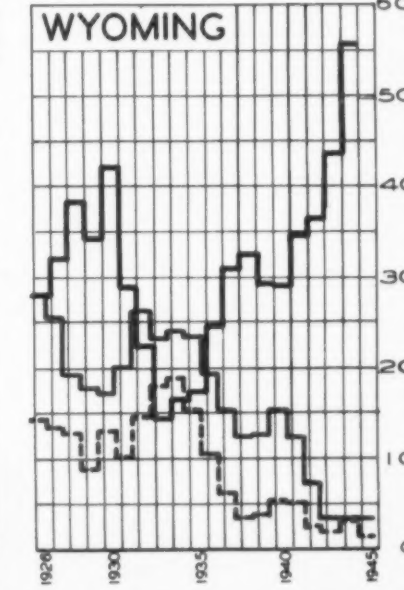
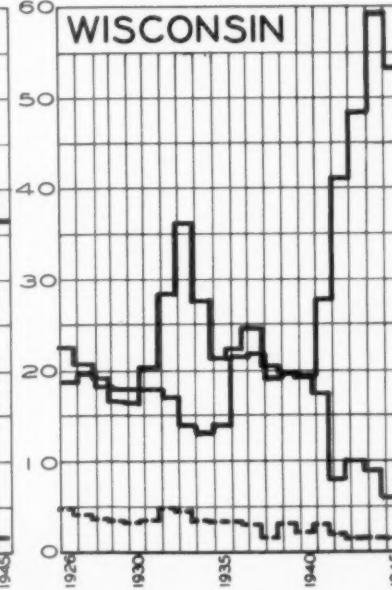
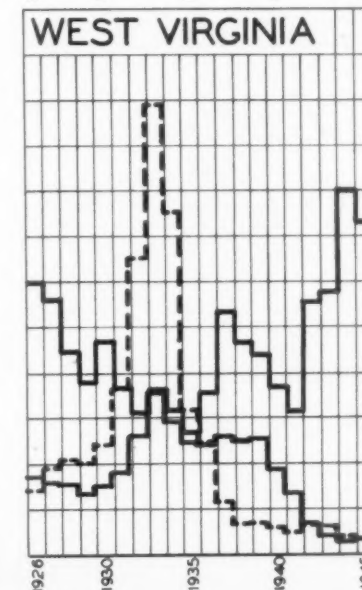
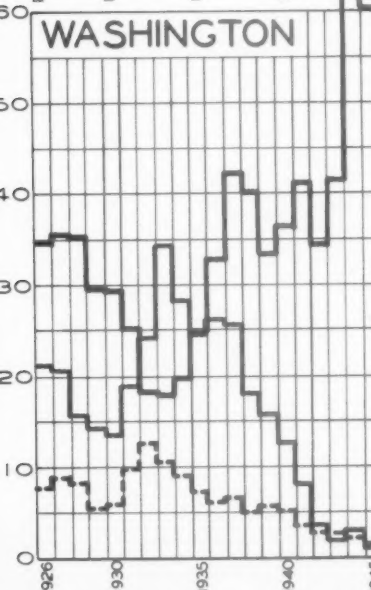
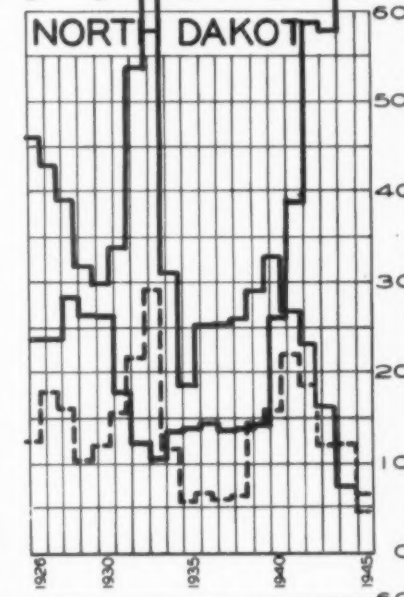
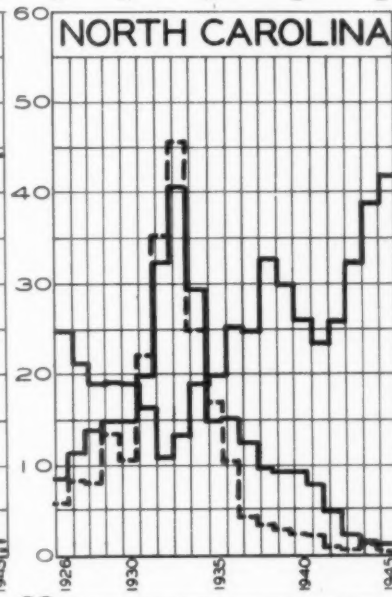
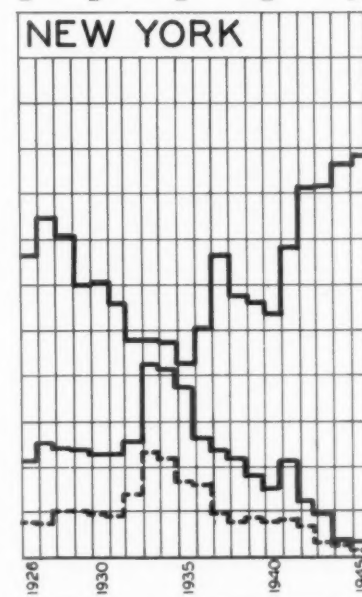
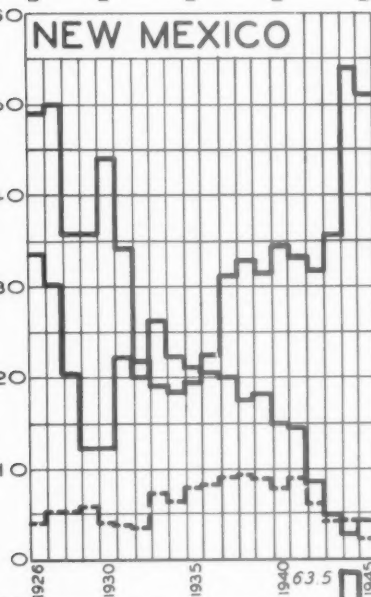
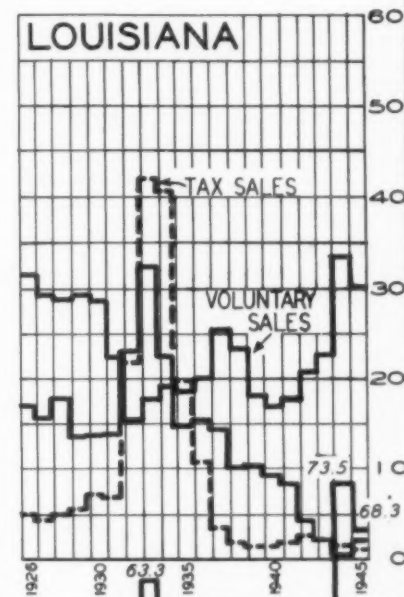
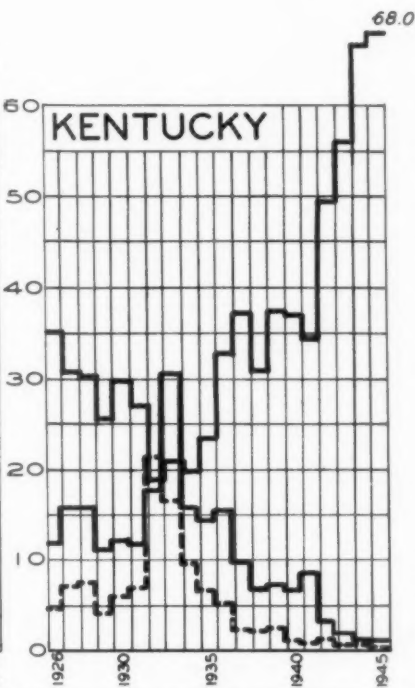
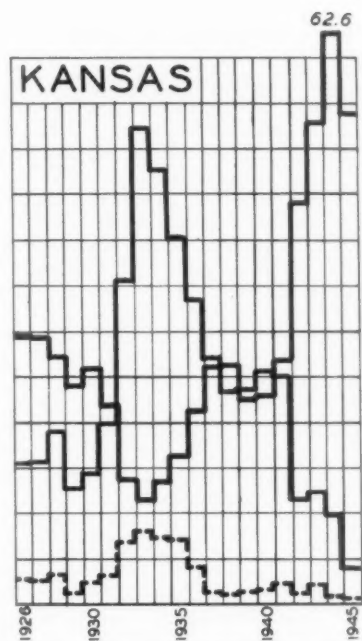
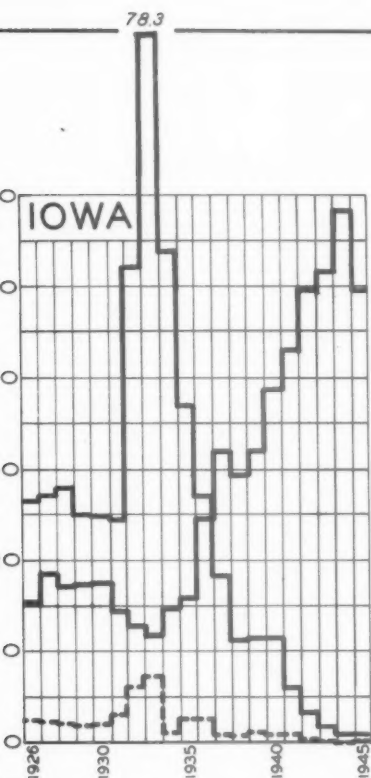
LES OF FARMS IN 48 STATES

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RENT, WAGES AND THE COST OF LIVING IN THE UNITED STATES 1921-1938 = 100

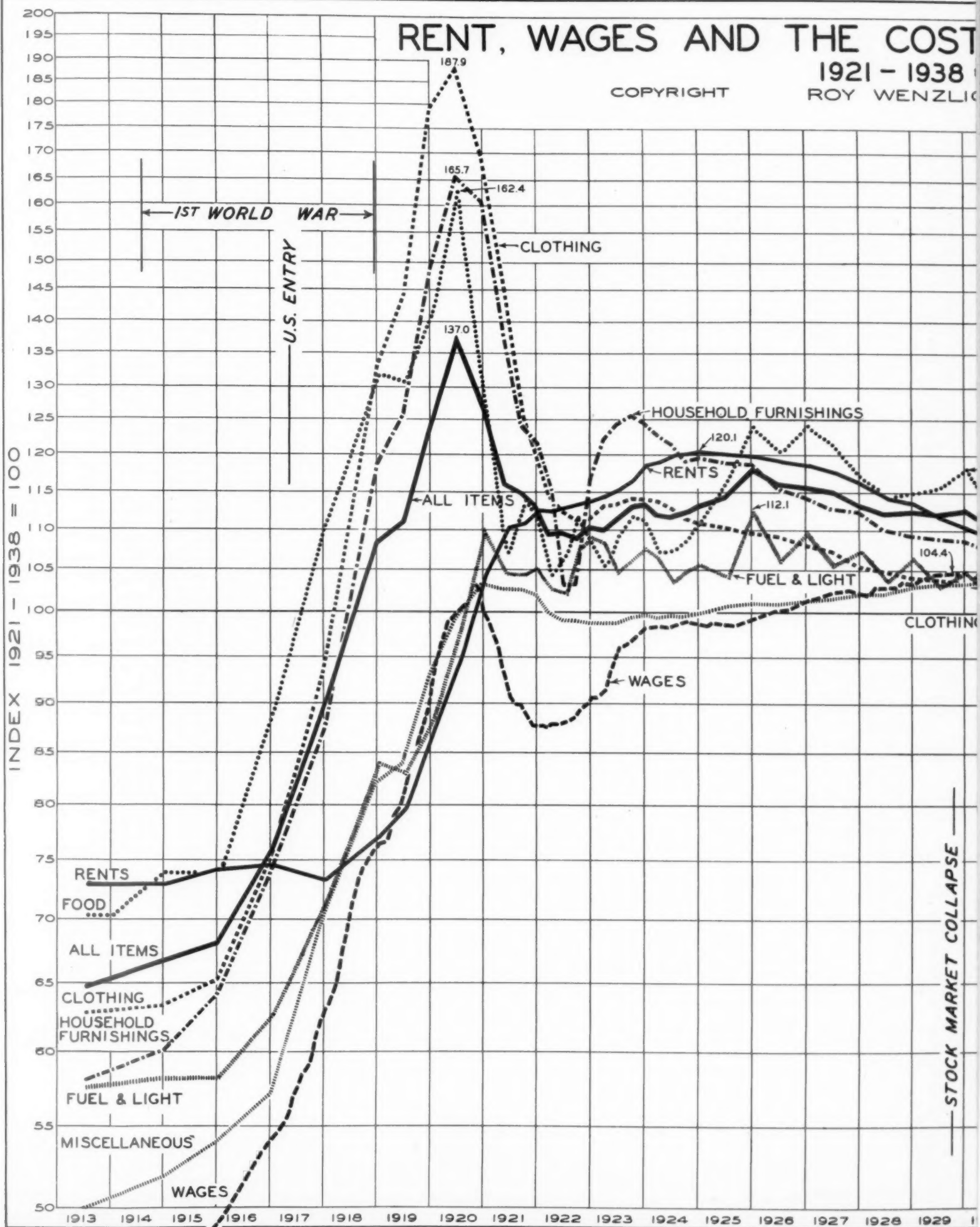
Date	All Items	Food	Clothing	Rent	Fuel, Ice, & Elec.	Housefur-nishings	Misc.	Wages
1913 Year	64.8	70.1	62.4	72.6	57.1	57.7	50.0	45.9
1914 Dec. 15	66.5	73.5	63.0	72.6	57.7	60.1	51.5	46.3
1915 Dec. "	67.8	73.5	65.2	73.8	57.7	63.9	53.7	48.6
1916 Dec. "	75.5	88.3	74.9	74.3	62.0	73.7	56.7	54.1
1917 Dec. "	89.5	110.1	93.0	72.7	70.9	86.9	70.3	62.4
1918 Dec. "	108.1	131.2	113.0	76.5	83.5	118.3	81.7	77.1
1919 June "	110.9	130.3	144.1	79.5	82.5	125.8	84.0	80.8
1919 Dec. "	124.0	140.5	178.8	86.3	87.5	148.9	92.7	91.3
1920 June "	137.0	162.4	187.9	93.8	96.7	165.7	99.0	99.6
1920 Dec. "	126.9	128.6	169.0	103.6	109.9	160.5	102.9	99.8
1921 May "	116.0	106.3	145.4	109.8	104.1	138.2	102.3	91.7
1921 Sept. "	114.9	113.5	125.5	110.3	104.0	124.8	102.3	88.7
1921 Dec. "	113.2	110.8	120.2	112.1	105.0	121.5	101.8	87.0
1922 Mar. "	109.3	104.0	114.7	111.8	102.0	114.8	100.0	87.1
1922 June "	109.5	106.2	112.3	112.2	101.6	102.9	99.1	87.4
1922 Sept. "	108.8	111.1	111.2	112.5	106.9	103.0	99.0	88.7
1922 Dec. "	110.3	107.5	111.3	113.2	108.3	116.6	98.8	90.3
1923 Mar. "	110.1	105.0	113.0	113.8	107.6	121.8	98.8	91.5
1923 June "	111.3	108.6	113.2	115.0	104.6	124.4	98.6	91.6
1923 Sept. "	111.1	111.0	114.0	116.0	105.8	125.5	99.5	97.2
1923 Dec. "	113.2	110.6	114.0	117.8	107.1	124.4	99.8	97.6
1924 Mar. "	111.8	106.6	113.7	118.5	105.9	122.5	99.5	98.0
1924 June "	111.6	106.8	112.7	119.7	103.3	121.2	99.6	97.4
1924 Sept. "	112.0	108.0	111.3	119.9	104.8	119.2	99.6	98.3
1924 Dec. "	113.0	110.5	110.8	120.1	105.4	119.8	100.0	98.0
1925 June "	114.4	115.8	110.3	119.9	103.9	118.6	100.6	98.3
1925 Dec. "	117.8	123.3	109.6	119.7	112.1	118.4	100.9	99.0
1926 June "	115.9	120.0	108.7	118.6	105.9	115.8	100.8	99.8
1926 Dec. "	115.6	123.4	107.6	118.1	109.4	114.7	101.1	101.1
1927 June "	115.2	120.8	106.7	117.0	105.3	112.9	101.4	101.6
1927 Dec. "	113.2	116.2	105.2	115.7	106.7	112.5	101.8	101.6
1928 June "	112.0	113.8	105.0	114.0	103.3	110.1	101.8	102.2
1928 Dec. "	112.3	114.6	104.3	112.9	105.7	109.4	102.7	102.7
1929 June "	112.0	115.3	103.9	111.3	102.7	109.0	102.9	103.7
1929 Dec. "	112.6	117.3	105.2	110.1	104.8	108.8	103.1	104.2
1930 June "	110.3	112.4	102.3	108.7	101.5	107.2	103.4	103.6
1930 Dec. "	105.8	102.2	98.5	106.3	103.8	103.0	103.1	101.7
1931 June "	99.2	89.6	93.2	103.0	99.2	95.8	102.6	99.6
1931 Dec. "	95.5	84.7	86.7	99.0	100.9	90.5	101.8	95.0
1932 June "	89.2	75.3	82.0	92.8	93.8	82.8	100.1	87.8
1932 Dec. "	85.7	72.0	77.5	85.8	94.6	79.4	98.5	83.1
1933 June "	83.2	72.2	76.3	78.9	89.7	79.6	96.2	80.7
1933 Dec. "	86.1	77.3	85.0	75.5	95.9	89.0	96.5	91.5
1934 June "	87.3	81.7	87.0	74.0	92.6	90.7	96.3	95.2
1934 Nov. "	88.2	83.7	86.9	74.0	94.0	91.4	96.2	95.7
1935 Mar. "	89.6	87.5	87.1	73.9	94.3	92.0	96.5	97.8
1935 July "	89.4	87.2	87.0	74.1	92.3	92.3	96.6	98.4
1935 Oct. "	89.8	87.7	87.2	74.5	92.8	93.5	96.3	98.1
1936 Jan. "	90.6	89.0	87.6	74.9	93.0	93.6	96.5	99.4
1936 Apr. "	89.6	86.3	87.7	75.2	93.0	93.5	96.7	99.1
1936 Year	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 Dec. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 Jan. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 Apr. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 July "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 Oct. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
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1936 Apr. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 July "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
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1936 Apr. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 July "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 Oct. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
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1936 Apr. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
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1936 Apr. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
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1936 Dec. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 Jan. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
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1936 Oct. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 Dec. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 Jan. "	119.0	123.7	134.5	85.4	102.3	145.1	123.1	123.1
1936 Apr. "	119.0	123.7	134.5	8				

RENT, WAGES AND THE COST

1921 - 1938

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ROY WENZLIC

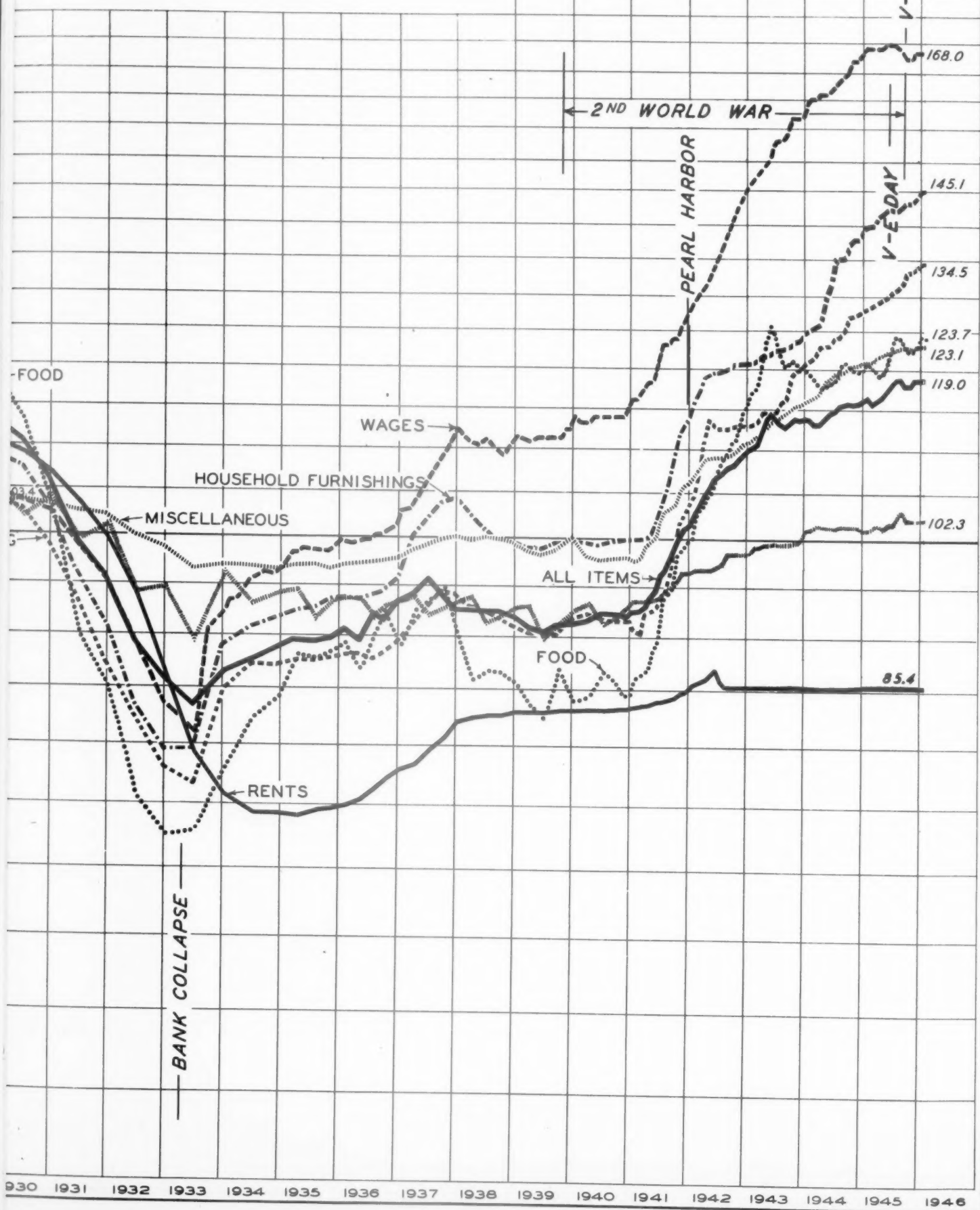


OF LIVING IN THE U.S.

= 100

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1946



(cont. from page 75)

tions at the present time uses the years 1935 to 1939 as equal to 100. Formerly the index was published with the base 1926 equals 100. The 1935-1939 base was selected recently in an attempt to call immediate prewar the "normal" from which changes could be computed.

It is possible to prove almost anything one wants to prove by charts and statistical series if the person trying to make his case is allowed to select the base period. While the period from 1935 to 1939 might be reasonably acceptable in many fields, it certainly is not for a study of residential rents. The government figures will show that in 1935 residential rents hit the lowest point that they had reached in more than seventeen years and, as a result, real estate was in such a depressed condition that only the emergency mortgages made by the Home Owners' Loan Corporation prevented a complete collapse. Foreclosures were still higher than they had been at any time since 1879 and even in 1939 the foreclosure rate was above the highest point reached since the end of the big depression of 1893. At no time during the First World War did foreclosures rise as high as they still were in 1939.

If 1935 to 1939 is not a fair base for computing rents, what period would be? Any well trained statistician will answer that the most logical base period for any series is a period which includes one complete cycle. Since the real estate cycle has averaged slightly more than eighteen years in length during the entire history of the United States, the eighteen-year period from 1921 through 1938 has been considered as the base period for our chart and figures. This included approximately the same number of good and bad years.

The figures as shown on the cost of living are those of the United States Bureau of Labor Statistics converted over to this more representative base. The wage figures on the chart are those prepared by the New York Federal Reserve Bank. Their index attempts to measure wages of all types (clerical, industrial, etc.), each group weighted into the average by the same percentage that it forms of the total employed population in the United States. This line represents take-home pay.

The rent line on this chart is based on the Bureau of Labor Statistics figures.

This chart shows that at the present time rents are practically 15 per cent below the eighteen-year average, while every other element of the cost of living is above. Rent control is defended on the grounds that without control rents would rise and that this would bring on a new wave of wage and salary demands. One glance at the chart, however, will show that wages are now almost 70 per cent above the eighteen-year average.

The great bulk of real estate occupied by rent-paying tenants consists of single- and two-family buildings. Only 12 per cent of all families in the United States living in cities outside of New York City live in apartments with more than four dwelling units per building. There are more than eight million property owners who are landlords in this small sense and these people are being compelled to house the tenants in the United States at rents which have been frozen practically 15 per cent below the eighteen-year average. They have not only been forced to make this contribution to the war and the reconversion period, but, in addition, they are constantly belabored by the Administration as profiteers.

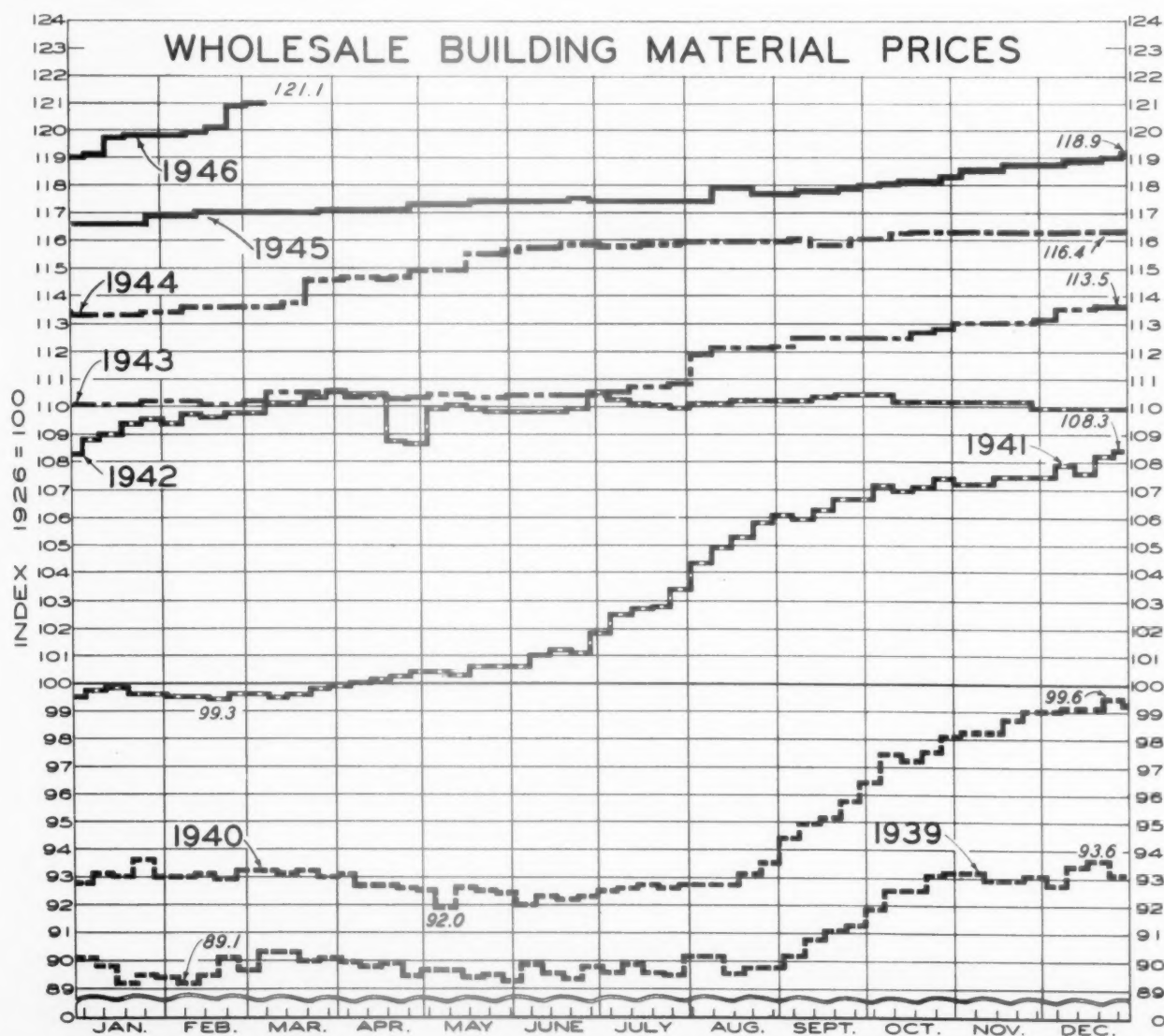
BUILDING MATERIAL PRICES

THE chart below shows building material prices as reported by the Bureau of Labor Statistics of the United States Department of Labor from 1939 to the present. All figures are expressed as percentages of the 1926 average. These figures are computed from wholesale quotations in many parts of the United States.

Right after the war started in September 1939 the wholesale prices of building materials started rising. This rise stopped in 1940 until the second half of the year and was then resumed. Each year has seen the figures creep a little bit higher.

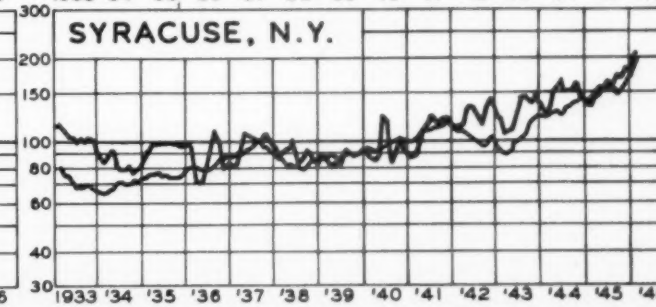
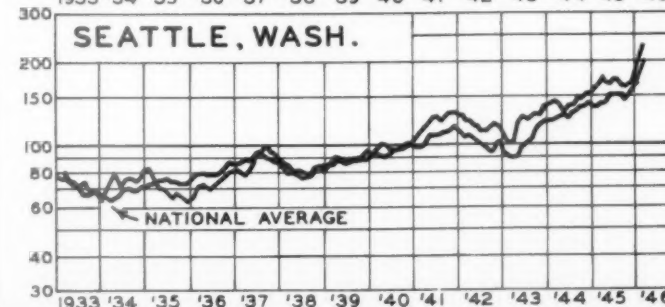
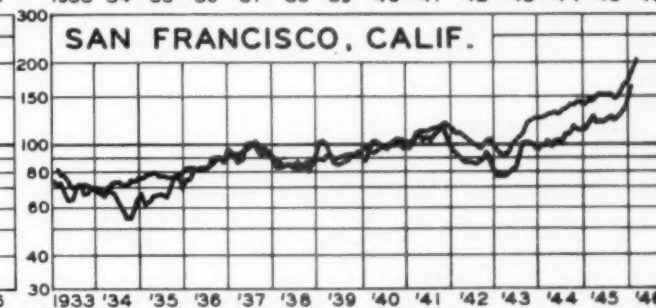
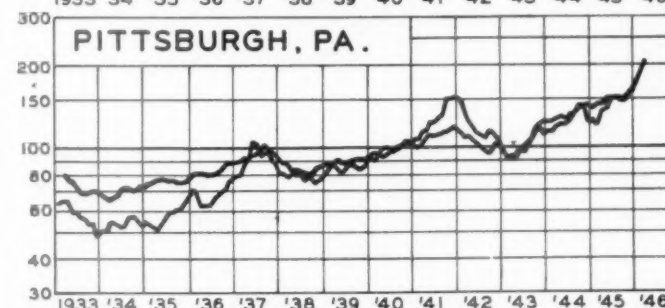
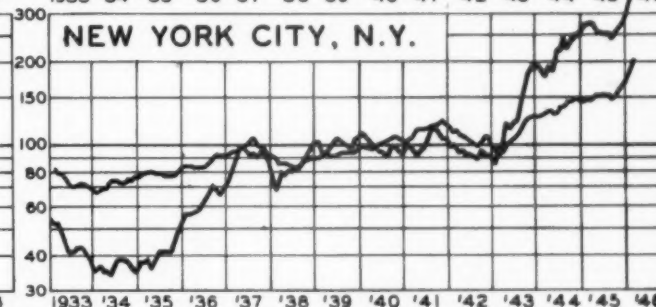
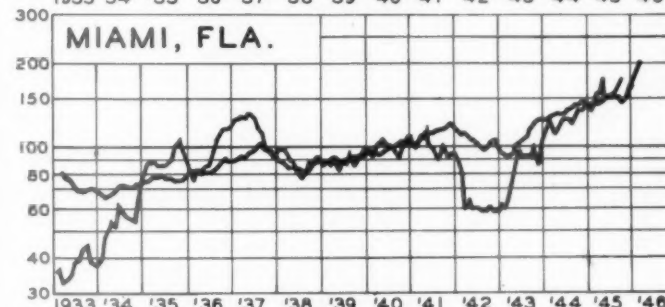
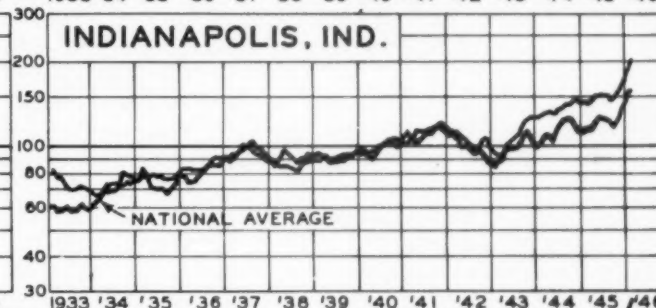
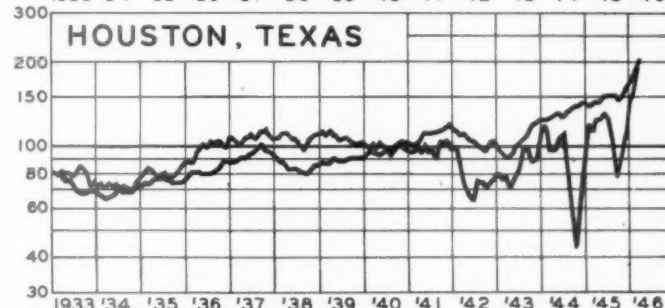
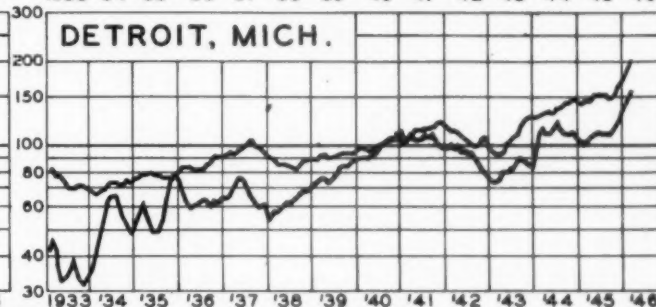
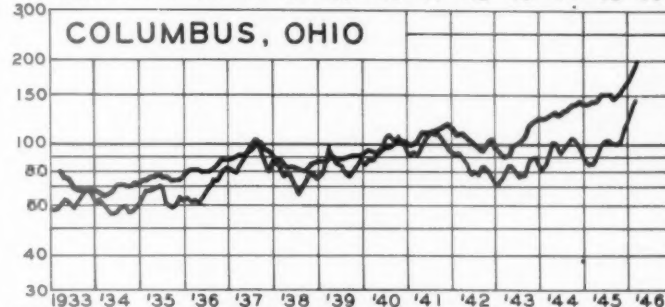
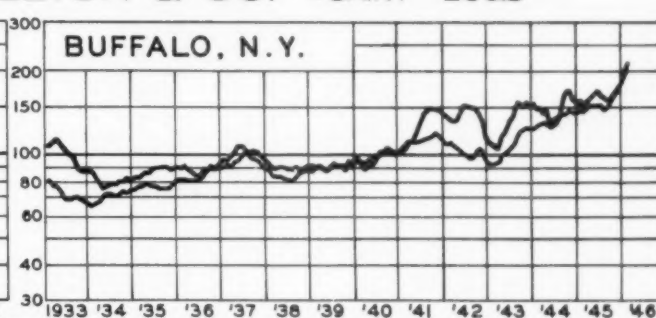
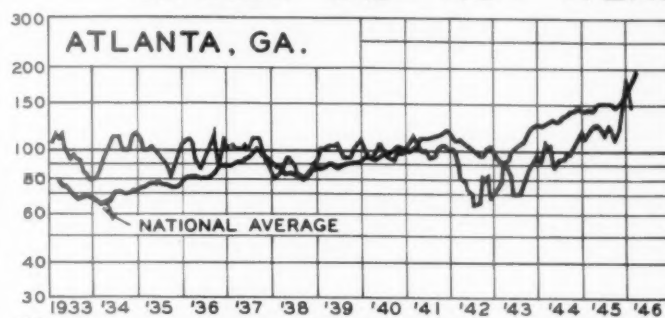
These figures, however, are not indicative of what has actually happened to retail building material costs. In the first place, they do not take into consideration black market operations, and black market sales, particularly of lumber, have grown to tremendous proportions.

The actual cost of the materials entering into a building as shown by our standard house in St. Louis has increased by more than 45 per cent. Wholesale prices, according to the Bureau of Labor Statistics figures, have increased by only one-third. There will be a number of further increases in the government index during the next six months.



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS

1920 ... 247,000	1925 ... 937,000	1930 ... 330,000	1935 ... 221,000
1921 ... 449,000	1926 ... 849,000	1931 ... 254,000	1936 ... 319,000
1922 ... 716,000	1927 ... 810,000	1932 ... 134,000	1937 ... 336,000
1923 ... 871,000	1928 ... 753,000	1933 ... 93,000	1938 ... 406,000
1924 ... 893,000	1929 ... 509,000	1934 ... 126,000	1939 ... 515,000

MONTHLY FIGURES

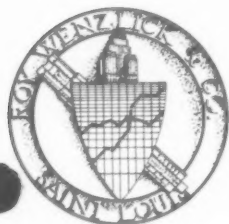
	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>
January	25,700	41,200	34,500	45,000	17,300	7,700	37,900
February	36,900	43,700	51,300	40,100	13,500	8,500	
March	46,000	60,200	52,700	33,000	18,100	13,200	
April	62,900	75,200	59,700	26,700	14,300	20,500	
May	57,000	70,700	60,600	33,600	16,500	19,400	
June	44,100	77,200	46,300	21,800	17,500	20,400	
July	57,600	74,600	26,700	24,200	14,500	23,300	
August	55,800	69,800	27,500	27,600	12,800	20,200	
September	58,400	67,000	40,400	24,300	11,300	21,500	
October	66,200	56,200	32,200	28,100	10,800	29,800	
November	44,900	46,600	30,400	26,100	11,600	31,300	
December	47,000	32,800	34,300	19,500	10,800	28,700	

CUMULATIVE FIGURES

January	25,700	41,200	34,500	45,000	17,300	7,700	37,900
February	62,600	84,900	85,800	85,100	30,800	16,200	
March	108,600	145,100	138,500	118,100	48,900	29,400	
April	171,500	220,300	198,200	144,800	63,200	49,900	
May	228,500	291,000	258,800	178,400	79,700	69,300	
June	272,600	368,200	305,100	200,200	97,200	89,700	
July	330,200	442,800	331,800	224,400	111,700	113,000	
August	386,000	512,600	359,300	252,000	124,500	133,200	
September	444,400	579,600	399,700	276,300	135,800	154,700	
October	510,600	635,800	431,900	304,400	146,600	184,500	
November	555,500	682,400	462,300	330,500	158,200	215,800	
December	602,500	715,200	496,600	350,000	169,000	244,500	

12-MONTH MOVING TOTALS

January	508,400	618,000	708,500	507,100	322,300	159,400	274,700
February	514,600	624,800	716,100	495,900	295,700	154,400	
March	517,700	639,000	708,600	476,200	280,800	149,500	
April	537,700	651,300	693,100	443,200	268,400	155,700	
May	541,400	665,000	683,000	416,200	251,300	158,600	
June	539,600	698,100	652,100	391,700	247,000	161,500	
July	553,000	715,100	604,200	389,200	237,300	170,300	
August	557,600	729,100	561,900	389,300	222,500	177,700	
September	573,600	737,700	535,300	373,200	209,500	187,900	
October	596,900	727,700	511,300	369,100	192,200	206,900	
November	596,700	729,400	495,100	364,800	177,700	226,600	
December	602,500	715,200	496,600	350,000	169,000	244,500	



EXECUTIVE DIGEST

OF THE CURRENT REAL ESTATE ANALYST REPORTS

MARCH
1946

ROY WENZLICK & CO.

Real Estate Economists, Appraisers and Counselors

Roy Wenzlick
Editor

VOLUME XV

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REAL ESTATE ACTIVITY

In February urban real estate activity took another large jump, bringing it to a point on our long chart 106 per cent above the long-term computed normal. The final figure for January after the figures from all cities were in was higher than the preliminary figure previously given, and stood at 98.3 per cent above the long-term normal. The table below shows the way these figures have varied from 1943 to the present.

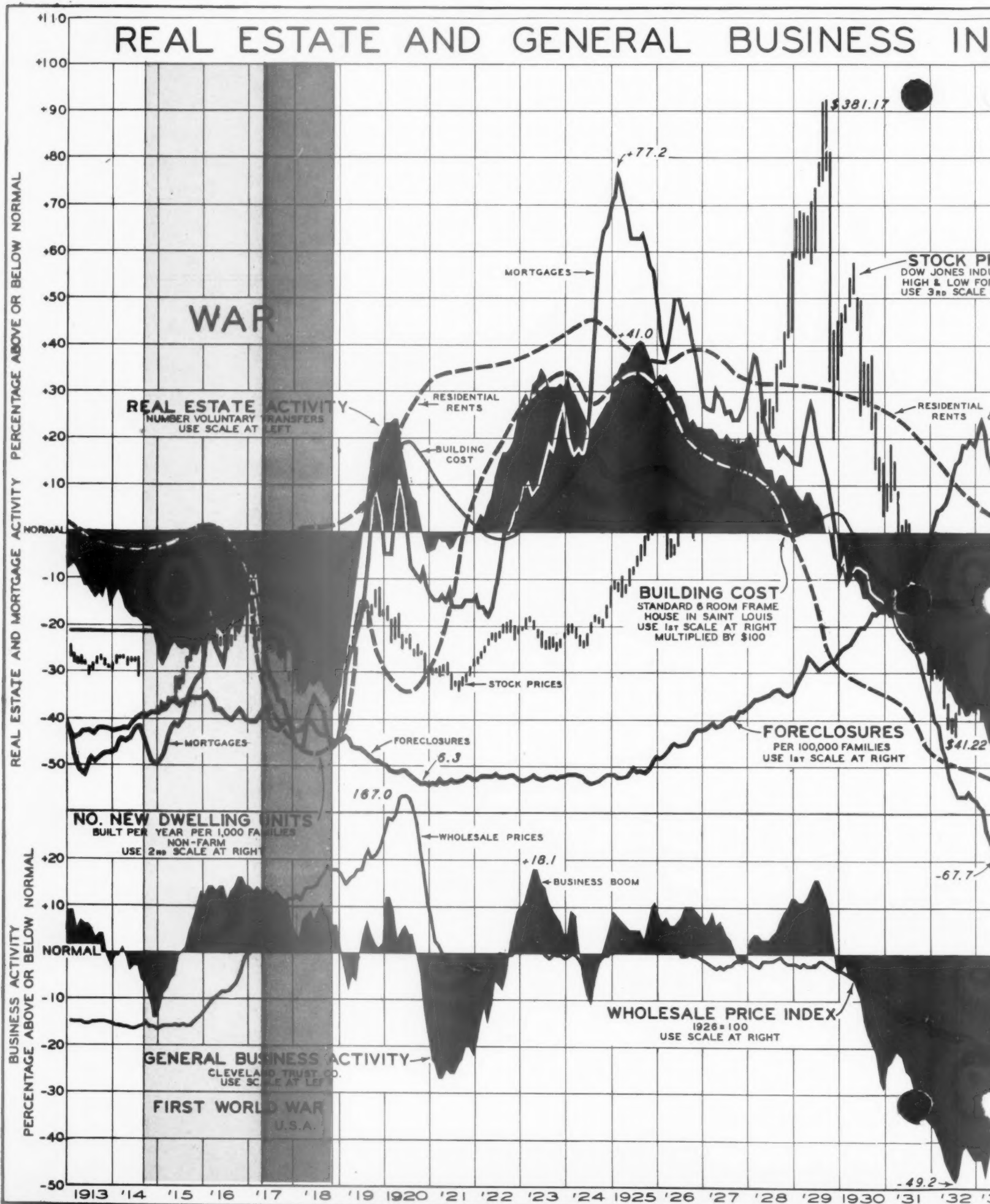
URBAN REAL ESTATE ACTIVITY AS A PERCENTAGE ABOVE OR BELOW THE LONG-TERM COMPUTED NORMAL

<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>
January .. - 5.5	January .. +28.2	January .. +46.1	January . +98.3
February . - 6.2	February . +30.7	February . +47.8	February . +106.4
March - 4.3	March +32.4	March +53.4	
April + 2.2	April +34.2	April +54.4	
May + 5.0	May +32.7	May +54.7	
June + 8.6	June +36.2	June +55.4	
July +11.0	July +38.6	July +55.6	
August ... +18.7	August ... +42.5	August ... +55.3	
September. +24.4	September. +44.2	September. +50.7	
October .. +26.4	October .. +48.3	October .. +57.0	
November . +28.6	November . +48.2	November . +70.4	
December . +28.4	December . +45.2	December . +79.8	

The two charts on the fold-in page of this report show urban real estate activity without the corrections which appear in our final chart. The top one of these two shows real estate transfers corrected for seasonal variations and for the increase in the number of families in the urban areas for which transfer figures are used. For February the preliminary figure on this chart is approximately 31 per cent above the 1926 level. It is 17 per cent above the highest point reached in 1925.

The red line on this chart shows the normal line we have been using in computing our final index. It will be noticed that this line declines during the period from 1913 to the present. We have expressed some doubts during the past year or so as to the rate of decline in this normal, although all of our studies have shown that as communities get older the number of transfers in relationship to the number of families declines, and for the period prior to 1930 there can be little question regarding the correctness of our normal line. It is always difficult to tell what normal is in the present, but it is always relatively easy to compute a normal for some period in the past.

REAL ESTATE AND GENERAL BUSINESS IN



INDICATORS

ROY WENZLICK & CO.
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS
SAINT LOUIS

STOCK PRICES
DOW JONES INDUSTRIALS
HIGH & LOW FOR MONTH
3RD SCALE AT RIGHT

RESIDENTIAL
RENTS

RESIDENTIAL RENTS

1923=100
USE 1ST SCALE AT RIGHT

FORECLOSURES

BUILDING
COST

WAR

STOCK PRICES

NEW DWELLING UNITS

NO. REAL ESTATE MORTGAGES

USE SCALE AT LEFT

SECOND WORLD WAR

U.S.A.

BUSINESS DEPRESSION

170 85 425

160 80 400

150 75 375

140 70 350

130 65 325

120 60 300

110 55 275

100 50 250

90 45 225

80 40 200

70 35 175

60 30 150

50 25 125

40 20 100

30 15 75

20 10 50

10 5 25

0 0 0

140

120

100

80

60

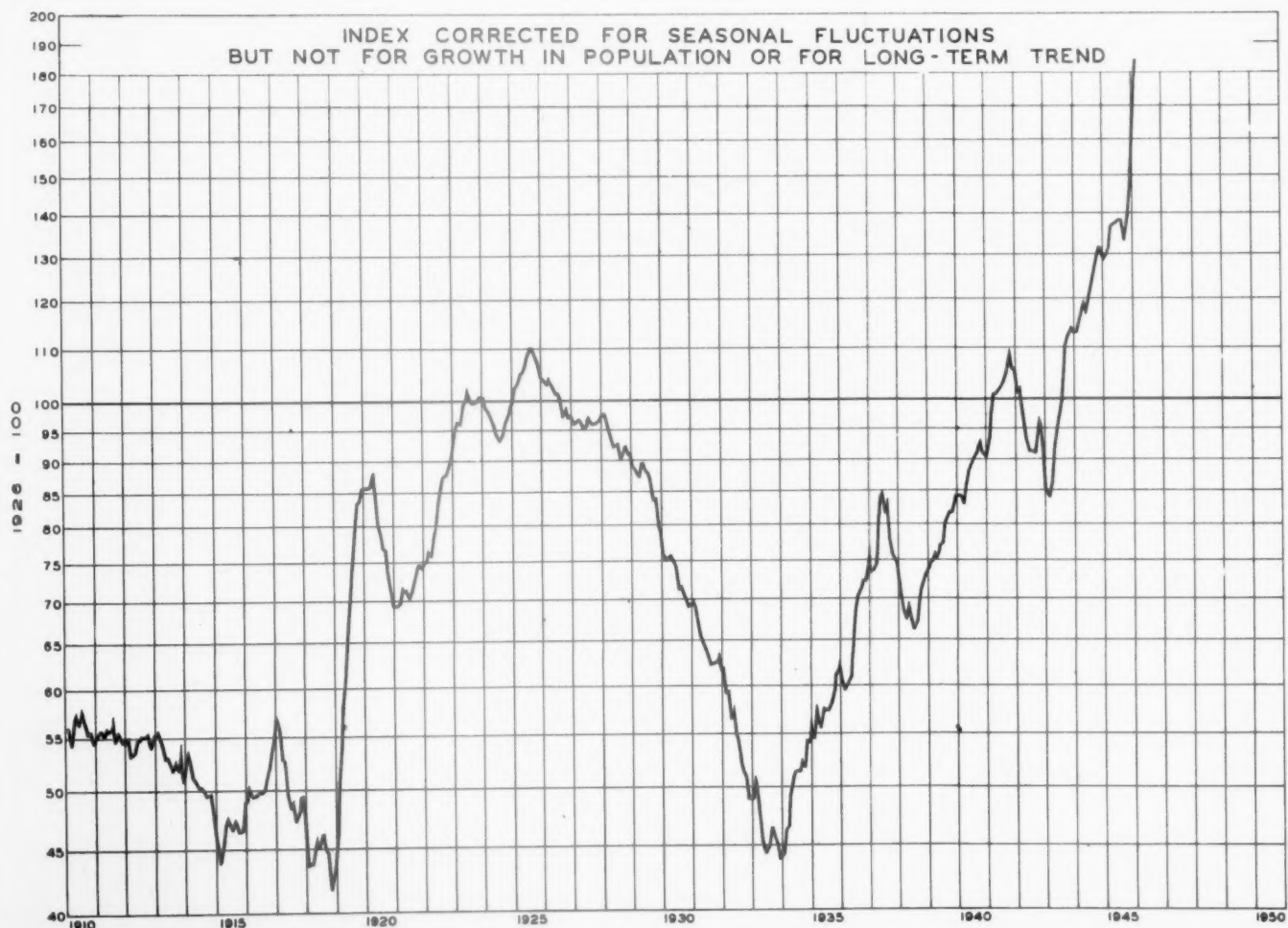
40

20

0

1928=100
WHOLESALE PRICE INDEX

'32 '33 '34 1935 '36 '37 '38 '39 1940 '41 '42 '43 '44 1945 '46 '47 '48 '49 1950



The bottom chart on the fold-in page shows the index of real estate activity corrected only for seasonal fluctuations. There is no correction in these figures for population growth during the period from 1910 to the present. It will be noticed that real estate activity at the present time is running 83 per cent above the level of 1926 and 66 per cent above the peak in 1925.

In our opinion no method of price ceilings on real estate yet proposed would radically affect the degree of real estate activity. If the first sale becomes the ceiling for any piece of property, the market will constantly be narrowed to properties which have not previously changed hands, and in the narrowed market demand will continue to force upward, possibly at a faster rate, the prices of those properties which have not yet been brought under control.

As we have said quite frequently before, the primary reason for the increase in real estate prices is the fact that the dollar has lost a large part of its purchasing power due to the inflationary policies of the government which accompanied the financing of the war. At the present time all capital assets are being revalued on the basis of these shrunken dollars.

FORECLOSURES

Our index of foreclosures for February stood at 4.5 foreclosures per 100,000 families. This is slightly lower than the figure for January, but is above the all-time low of 3.4 reached last July. It is considerably below the level of any period prior to 1944. One of the first indications that the real estate boom has run its course will be a dropping of the activity rate with a consistent rise in the foreclosure rate.

RESIDENTIAL BUILDING

The February figures are not yet available from many cities but in January we were building at a rate of 9 new family accommodations per year per thousand families. This rate has been increasing but not as rapidly as it would if builders were allowed to build without government restriction. So far the housing program for veterans has consisted primarily (like many government programs) of political ballyhoo and a condemnation of private industry for the existing shortage, without removing the restrictions which make it impossible for private industry to operate.

The drastic curb on business construction will undoubtedly release some materials and labor for residential building but it will be done at a considerable cost. A great deal of business building is necessary at the present time to provide additional plant and office capacity. The same end result could be accomplished insofar as residential building goes by easing a great many of the restrictions which are holding back building at the present time.

BUILDING COSTS

The cost of building our six-room standard frame house in St. Louis in March was \$9791. This is an increase of \$32 over the February figure. It was accounted for by an increase in red oak flooring and a five per cent increase on metal work materials. Further increases are expected this month.

At the present time 45 per cent of the cost of building the house consists in the cost of materials, 35 per cent in direct labor at the site, and 20 per cent in overhead items. In our classification all profits of both sub-

contractors and the general contractor are included under overhead. All taxes, Federal and State, various insurance items and a completion bond are also included under this item. In 1939 at the beginning of the war in Europe the cost of building materials amounted to 51.3 per cent of the total cost of the house. Direct labor at the site accounted for 28.7 per cent and the various overhead items for 20.0 per cent. From 1939 to the present the cost of the materials that go into this house has increased by 45.5 per cent. The direct labor at the site has increased by 102 per cent and the overhead items have increased by 66.7 per cent.

The increase in labor cost is due not only to higher rates being paid but to a larger number of man hours necessary to accomplish the same amount of work.

REAL ESTATE MORTGAGES

Mortgage activity showed a large increase in February with a final figure 5.9 per cent above the long-term computed normal. This is the first time that mortgage activity has been above our normal line since 1929. In the boom of the twenties there was a great volume of mortgage activity on the financing of office buildings, hotels and other large structures. On the other hand, the mortgage activity at the present time is largely on residential buildings with the great bulk of the one- and two-family variety.

RENTS

We believe that the OPA will be renewed in June, but with some modification. There will be a slight upward movement in residential rents by the end of the year, but it will still be an almost imperceptible rise. Commercial and store rents in most communities where rents are not frozen are moving up.

BUSINESS ACTIVITY

Business activity continued to drop through January, reaching a level for that month 2.5 per cent above the long-term computed normal. The lowest level has probably been reached, or will be reached very shortly, as many trends will be moving up in the period immediately ahead. Were it not for the prospect of difficulty with Mr. Lewis and his miners, there would appear to be very few clouds on the business horizon at present. The international situation looks much better than it did a month ago.

STOCK MARKET

During the past week or two the market has been showing a much better tone than it has for some time past, and while we are still rather uncertain on the near-term outlook, we are still bullish for the long pull. It seems to us that the OPA must of necessity raise price ceilings to allow some higher cost producers to get into production; as they do, the low cost producers will show an increased profit.